MENTAL HEALTH DRUG MANAGEMENT

SESSION LAW 2014-100, SECTION 12H.9.(c)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF MEDICAL ASSISTANCE

October 1, 2015

BACKGROUND

Session Law 2014-100, Section 12H.9.(b) directed the Department of Health and Human Services, Division of Medical Assistance (DMA) to:

Effective January 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall manage mental health drugs to produce twelve million dollars ($12,000,000), net of rebates, in recurring annual savings to General Fund appropriations to the Medicaid programs. In order to achieve these savings, the Department shall first make adjustments to the preferred drug list to maximize supplemental rebates. Next, in order to achieve these savings, the Department is authorized to impose controls including prior authorization, utilization review criteria, and other restrictions. Notwithstanding the foregoing, because of the effective date of this section, savings in fiscal year 2014-2015 shall be six million dollars ($6,000,000).

Session Law 2014-100, Section 12H.9. (c) also directed the Department to:

No later than October 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall report to the Joint Legislative Oversight Committee on Health and Human Services on the Department's fiscal year 2014-2015 savings from making the changes required by subsection (b) of this section.

MENTAL HEALTH DRUGS

Mental health drugs are medications approved by the federal Food and Drug Administration (FDA) for the treatment of mental health conditions, including but not limited to: schizophrenia; bipolar disorder; attention deficit hyperactivity disorder (ADHD); attention deficit disorder (ADD); and depression. Mental health drugs represent a significant portion of the budget for the North Carolina Medicaid program. During State Fiscal Year 2015, expenditures for mental health drugs were $492,060,998. That represented nearly 30% of the total Medicaid pharmacy program budget. Expenditures were based on 3,224,618 claims paid, for an average expenditure of $1,651.05 per beneficiary.

LEGISLATIVE HISTORY OF MENTAL HEALTH DRUG MANAGEMENT

Prior to Session Law 2014-100, DMA had limited authority to limit or restrict the use of Medicaid mental health drugs. Over the past five years, DMA has implemented measures supported by General Assembly mandates to manage mental health drug expenditures without limiting or restricting their use.

Session Law 2010-31 authorized DMA to add mental health drugs as preferred drugs on the Medicaid Preferred Drug List (PDL) in order to enhance supplemental rebates available from pharmaceutical manufacturers. The additional rebates helped to offset the cost of these medications. In addition, the 2010 legislation authorized the Department to initiate prior authorization requirements for off-label prescribing of mental health drugs when prescribers failed to prescribe the medications according to FDA-approved indications and dosage levels.

As a result of the 2010 legislation and due to the growing concern about overutilization of atypical antipsychotics, particularly in the pediatric population, DMA implemented the A+KIDS (Antipsychotics – Keeping It Documented for Safety) and ASAP (Adult Safety with Antipsychotic Prescribing) programs. Both programs were implemented to address the overutilization of antipsychotics in children and adults, and they provided guidelines to NC mental health professionals for monitoring the use of these powerful medications within the Medicaid population.

Session Law 2013-363 authorized DMA to manage ADHD and ADD medications prescribed to juveniles through prior authorization without limiting management to off-label use.

Session Law 2014-100 expanded DMA's authority to manage all Medicaid mental health drugs. This legislation authorized adjustments to the NC Medicaid PDL to maximize supplemental rebates for all mental health drugs. It also authorized DMA to apply prior authorization and other utilization management strategies to all mental health drugs to produce the savings required by the General Assembly.

MENTAL HEALTH DRUG SAVINGS

Session Law 2014-100 directed the Department to produce twelve million dollars ($12,000,000), net of rebates, in recurring annual savings. Because of the effective date of January 1, 2015, the savings requirement for SFY 2014-2015 related to this legislation was prorated to six million dollars ($6,000,000).

Cost Reduction Strategies Implemented

In order to produce the required savings, DMA made several changes to the management of mental health drug classes covered under the Medicaid pharmacy program:

- **May 17, 2014**: DMA implemented adjustments to the Medicaid PDL to maximize rebates for medications in the ADHD and ADD drug classes by requiring prior authorization for generic Adderall and Adderall XR. By making this change, DMA maximized rebates on the brand products leading to lower net costs for these products.
- **January 1, 2015**: DMA implemented changes to the Medicaid PDL that included adjustments to multiple antidepressant drug classes and made additional changes to drugs other than Adderall and Adderall XR in the ADHD and ADD drug classes. These changes adjusted the status for certain high-cost drugs in these drug classes to non-preferred status, which shifted utilization to lower net cost products when considering drug rebates.
- **June 5, 2015**: DMA implemented additional PDL changes to adjust the status of certain high-cost antipsychotic drugs to non-preferred status, thereby shifting utilization in this drug class to lower net cost products when drug rebates were factored in.

SFY2015 Savings Results

The total estimated savings related to the additional utilization management strategies implemented from January 1, 2015 through June 30, 2015 are $13,714,000. The State share of this estimated savings is $4,679,000. If annualized, the total estimated savings are $27,428,000, with the State share estimated to be $9,358,000. **Table 1** below provides a breakout of the estimated savings by drug class.

Table 1
Mental Health Drugs Estimated Savings for January 1, 2015 – June 30, 2015 of SFY 2015

Mental Health Drug Class	Estimated Savings	Federal Share	State Share
Antidepressants	$522,000	$344,000	$178,000
Antipsychotics	$462,000	$304,000	$158,000
Stimulants and Related Agents	$12,730,000	$8,387,000	$4,343,000
Total*	**$13,714,000**	**$9,035,000**	**$4,679,000**

* DMA is still collecting and reconciling supplemental rebates for the fourth quarter of the fiscal year which may result in additional savings for the January 1, 2015 through June 30, 2015 time period.

Table 1 estimates are based on outpatient pharmacy claims data with dates of service through March 31, 2015 and supplemental rebate collections through September 17, 2015. As noted, DMA may achieve additional savings for the January 1, 2015 through June 30, 2015 time period because DMA is still collecting and reconciling supplemental rebates for the fourth quarter of the fiscal year.

CONCLUSION

DMA anticipates that mental health drug expenditures will continue to comprise a significant portion of the Medicaid pharmacy program's budget as the number of Medicaid enrollees and prescription drug costs continue to grow. However, DMA will continue to manage mental health drug utilization using the various measures authorized in legislation to maximize savings while continuing to ensure access to safe and clinically appropriate mental health drug therapies.